

**McCRACKEN COUNTY, KENTUCKY**

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FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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WILLIAMS, WILLIAMS & LENTZ, LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
601 JEFFERSON  
PADUCAH, KENTUCKY 42001

J. RICHARD WALKER  
JERRY G. SEVERNS  
ROBERT R. ROBERTSON  
C. SUZETTE CRONCH  
MICHAEL F. KARNES  
MARK A. THOMAS  
ROGER G. HARRIS  
J. DAVID BAILEY, III

G. LEON WILLIAMS, 1926-2004  
H. WILLIAM LENTZ, 1925-2007

MAILING ADDRESS  
POST OFFICE BOX 2500  
PADUCAH, KY 42002-2500

TELEPHONE  
270-443-3643

FAX  
270-444-0652

WEBSITE  
[www.lcpa.com](http://www.lcpa.com)

**Independent Auditor's Report**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary of Finance and  
Administration Cabinet  
Honorable Van Elliott Newberry, McCracken  
County Judge/Executive  
Members of the McCracken County  
Fiscal Court

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McCracken County, Kentucky as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of McCracken County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McCracken County, Kentucky, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2007, 2007, on our consideration of McCracken County, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The County has not presented Management Discussion and Analysis that accounting principles generally accepted in the United States has determined necessary to supplement, although not required to be apart of, the basic financial statements.

The budgetary comparison information presented on pages 33 through 50 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McCracken County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Williams, William J. Lantz, LLP". The signature is written in a cursive, flowing style.

December 3, 2007

**McCRACKEN COUNTY, KENTUCKY**  
**SCHEDULE OF COUNTY OFFICIALS**  
**JUNE 30, 2007**

**FISCAL COURT MEMBERS**

Van Newberry, County Judge/Executive

Zana Renfro, Commissioner

Jerry Beyer, Commissioner

Ronnie Freeman, Commissioner

**OTHER ELECTED OFFICIALS**

Dan Boaz, County Attorney

Bill Adams, Jailer

Jeff Jerrell, County Clerk

Mike Lawrence, Circuit Court Clerk

Jon Hayden, Sheriff

Nancy Bock, Property Valuation Administrator

Dan Sims, Coroner

**APPOINTED PERSONNEL**

Doug Harnice, Deputy Judge/Executive

Angie Brown, County Treasurer

Cynthia Spears, Finance Officer

Larenda Ferrell, Jail Administrative Assistant

## **BASIC FINANCIAL STATEMENTS**

**McCRACKEN COUNTY, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

<u><b>ASSETS</b></u>	<b>Primary Government</b>		
	<u><b>Governmental Activities</b></u>	<u><b>Business-type Activities</b></u>	<u><b>Total</b></u>
Cash in bank	\$ 7,729,404	\$ 24,441	\$ 7,753,845
Accounts receivable, net:			
Taxes	4,422,135	-	4,422,135
Intergovernmental	1,127,415	-	1,127,415
Other	114,117	-	114,117
Notes receivable	105,000	-	105,000
Nondepreciated capital assets:			
Land and land improvements	1,473,832	-	1,473,832
Depreciated capital assets, net:			
Buildings	16,187,888	-	16,187,888
Roads and infrastructure	31,804,978	-	31,804,978
Furniture and equipment	2,533,403	14,012	2,547,415
<b>Total assets</b>	<b>65,498,172</b>	<b>38,453</b>	<b>65,536,625</b>
 <u><b>LIABILITIES</b></u>			
Accounts payable	418,257	-	418,257
Matured interest outstanding	96,116	-	96,116
Accrued payroll and related expenses	116,864	-	116,864
Deferred revenues	3,976,707	-	3,976,707
Long-term obligations:			
Due within one year:			
Outstanding bonds	257,574	-	257,574
Outstanding notes payable	215,269	-	215,269
Obligations under capital lease	291,435	-	291,435
Due beyond one year:			
Outstanding bonds	4,661,999	-	4,661,999
Outstanding notes payable	5,922,481	-	5,922,481
Obligations under capital lease	796,893	-	796,893
Landfill post-closure costs	2,062,500	-	2,062,500
Accrued compensated absences	326,134	-	326,134
<b>Total liabilities</b>	<b>19,142,229</b>	<b>-</b>	<b>19,142,229</b>
 <u><b>NET ASSETS</b></u>			
Invested in capital assets, net of related debt	44,371,949	-	44,371,949
Restricted for:			
Accrued compensated absences	326,134	-	326,134
Debt service	54,989	-	54,989
Unrestricted	1,602,871	38,453	1,641,324
<b>TOTAL NET ASSETS</b>	<b>\$46,355,943</b>	<b>\$ 38,453</b>	<b>\$46,394,396</b>

See accompanying notes to the basic financial statements.

**McCRACKEN COUNTY, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

<b><u>FUNCTIONS/PROGRAMS</u></b>		<b>Program Revenues</b>			<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government</b>		<b>Totals</b>
	<b>Expenses</b>				<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 14,629,431	\$ 1,815,178	\$ 772,274	\$ 656,322	\$ (11,385,657)	\$ -	\$ (11,385,657)
Public safety	3,338,560	1,951,443	573,691	-	(813,426)	-	(813,426)
Health and sanitation	629,254	95,131	59,363	-	(474,760)	-	(474,760)
Social services	747,270	-	21,822	-	(725,448)	-	(725,448)
Recreation and culture	541,973	24,539	-	-	(517,434)	-	(517,434)
Highways and streets	1,819,383	-	2,455,176	-	635,793	-	635,793
Debt service	655,896	-	-	-	(655,896)	-	(655,896)
Total governmental activities	22,361,767	3,886,291	3,882,326	656,322	(13,936,828)	-	(13,936,828)
Business-type activities:							
Jail canteen	20,478	40,718	-	-	-	20,240	20,240
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 22,382,245</b>	<b>\$ 3,927,009</b>	<b>\$ 3,882,326</b>	<b>\$ 656,322</b>	<b>(13,936,828)</b>	<b>20,240</b>	<b>(13,916,588)</b>
<b>General Revenues and Transfers:</b>							
Taxes:							
Property taxes, levied for general purposes					5,060,363	-	5,060,363
Occupational taxes					5,879,927	-	5,879,927
Transient room taxes					630,463	-	630,463
Miscellaneous:							
Interest					281,537	73	281,610
Excess fees					90,049	-	90,049
Other					1,217,761	-	1,217,761
Transfers					(49,000)	49,000	-
Total general revenues and transfers					13,111,100	49,073	13,160,173
Change in net assets					(825,728)	69,313	(756,415)
Net assets, July 1, 2006					47,181,671	(30,860)	47,150,811
NET ASSETS, JUNE 30, 2007					\$ 46,355,943	\$ 38,453	\$ 46,394,396

See accompanying notes to the basic financial statements.



**McCRACKEN COUNTY, KENTUCKY**  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	<b>Major Funds</b>						<b>Nonmajor</b>	
<b><u>ASSETS</u></b>	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Sheriff Fund</b>	<b>State Grant Fund</b>	<b>Debt Service Fund</b>	<b>Governmental Funds</b>	<b>Total Funds</b>
Cash in bank	\$ 6,490,692	\$180,547	\$ 2,439		\$823,168	\$ 101	\$232,457	\$ 7,729,404
Accounts receivable (net)	4,449,569	448,276	393,320	38,356	53,586		228,599	5,611,706
Due from other funds	348,008	-	-	-	28,014	-	-	376,022
<b>TOTAL ASSETS</b>	<b>\$11,288,269</b>	<b>\$628,823</b>	<b>\$395,759</b>	<b>\$38,356</b>	<b>\$904,768</b>	<b>\$ 101</b>	<b>\$461,056</b>	<b>\$13,717,132</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>								
<b>Liabilities:</b>								
Accounts payable	\$ 119,280	\$ 19,293	\$170,459	\$21,763	\$ 56,166	\$ -	\$ 31,296	\$ 418,257
Due to other funds	-	-	-	-	-	-	376,022	376,022
Accrued payroll	32,262	13,247	42,902	28,453	-	-	-	116,864
Deferred revenues	3,118,901	-	-	-	848,602	-	29,454	3,996,957
<b>Total liabilities</b>	<b>3,270,443</b>	<b>32,540</b>	<b>213,361</b>	<b>50,216</b>	<b>904,768</b>	<b>-</b>	<b>436,772</b>	<b>4,908,100</b>
<b>Fund Balances:</b>								
Reserved for:								
Debt service	-	-	-	-	-	101	54,888	54,989
Other purposes	-	-	-	-	-	-	(30,604)	(30,604)
Unreserved	8,017,826	596,283	182,398	(11,860)	-	-	-	8,784,647
<b>Total fund balances</b>	<b>8,017,826</b>	<b>596,283</b>	<b>182,398</b>	<b>(11,860)</b>	<b>-</b>	<b>101</b>	<b>24,284</b>	<b>8,809,032</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$11,288,269</b>	<b>\$628,823</b>	<b>\$395,759</b>	<b>\$38,356</b>	<b>\$904,768</b>	<b>\$ 101</b>	<b>\$461,056</b>	<b>\$13,717,132</b>

See accompanying notes to the basic financial statements.

**McCRACKEN COUNTY, KENTUCKY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

Total fund balances - total governmental funds	\$ 8,809,032
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Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets totals \$125,541,411 and the accumulated depreciation is \$73,541,310.	52,000,101
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Notes receivable are not due and receivable in the current period and, therefore, are not reported as assets in the governmental funds.	105,000
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Uncollected delinquent property taxes are not available for use under the modified accrual basis of accounting as reported in the governmental funds and are, therefore, deferred in the funds.	20,250
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Insurance refund due from provider not available for use under the modified accrual basis of accounting as reported in the governmental funds and is, therefore, not reported in the funds as an account receivable.	51,961
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Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

Bonds outstanding	\$ 4,919,573	
Matured interest outstanding	96,116	
Notes payable	6,137,750	
Obligations under capital lease	1,088,328	
Landfill post-closure costs	2,062,500	
Accrued compensated absences	326,134	(14,630,401)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 46,355,943
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See accompanying notes to the basic financial statements.

**McCRACKEN COUNTY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Major Funds</b>						<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Sheriff Fund</b>	<b>State Grant Fund</b>	<b>Debt Service Fund</b>		
<b>Revenues:</b>								
Taxes	\$10,977,776	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$10,977,776
Intergovernmental	836,870	2,223,184	270,011	58,680	600,702	287,465	243,694	4,520,606
Charges for services	698,381	-	-	-	-	-	-	698,381
Fees and fines	-	228,487	1,801,625	1,333,132	-	-	-	3,363,244
Miscellaneous	909,095	549	421,279	-	-	513	631,369	1,962,805
Total revenues	13,422,122	2,452,220	2,492,915	1,391,812	600,702	287,978	875,063	21,522,812
<b>Expenditures:</b>								
Current:								
General government	5,110,567	559,960	3,366,856	2,778,334	-	-	-	11,815,717
Public safety	754,583	-	2,539,246	-	-	-	366,648	3,660,477
Health and sanitation	263,264	-	-	-	151,398	-	-	414,662
Social services	136,365	-	-	-	450,262	-	331,089	917,716
Recreation and culture	212,151	-	-	-	-	-	-	212,151
Highways and streets	-	2,027,581	-	-	-	-	-	2,027,581
Debt service:								
Principal	-	-	-	-	-	799,725	130,000	929,725
Interest and other charges	-	-	-	-	-	451,356	192,250	643,606
Total expenditures	6,476,930	2,587,541	5,906,102	2,778,334	601,660	1,251,081	1,019,987	20,621,635
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	6,945,192	(135,321)	(3,413,187)	(1,386,522)	(958)	(963,103)	(144,924)	901,177
<b>Other Financing Sources (Uses):</b>								
Note proceeds	-	-	220,000	-	-	-	-	220,000
Operating transfers in	700,583	1,242,032	3,355,997	1,322,866	20,400	962,597	414,178	8,018,653
Operating transfers out	(6,875,081)	(678,773)	(207,829)	-	(19,442)	-	(286,528)	(8,067,653)
Total other financing sources (uses)	(6,174,498)	563,259	3,368,168	1,322,866	958	962,597	127,650	171,000
Net change in fund balances	770,694	427,938	(45,019)	(63,656)	-	(506)	(17,274)	1,072,177
Fund balances, July 1, 2006	7,247,132	168,345	227,417	51,796	-	607	41,558	7,736,855
FUND BALANCES, JUNE 30, 2007	\$ 8,017,826	\$ 596,283	\$ 182,398	\$ (11,860)	\$ -	\$ 101	\$ 24,284	\$ 8,809,032

See accompanying notes to the basic financial statements.

**McCRACKEN COUNTY, KENTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Net change in fund balances - total governmental funds	\$ 1,072,177
Capital outlays	514,034
Depreciation expense	(3,009,601)
Accrued property tax receivable	(20,091)
Accrued insurance receivable	(7,414)
Payment received on notes receivable	(103,785)
Additions to long-term debt	(220,000)
Amortization of deferred bond issuance costs	(62,220)
Repayment of principal on long-term debt	929,725
Accrued interest on long-term debt	3,761
Accrued long-term compensated absences	<u>77,686</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (825,728)</u></u>

See accompanying notes to the basic financial statements.

**McCRACKEN COUNTY, KENTUCKY**  
**STATEMENT OF FUND NET ASSETS**  
**PROPRIETARY FUND**  
**JUNE 30, 2007**

<b><u>ASSETS</u></b>		<b>Jail Canteen Fund</b>
<b>Current Assets:</b>		
Cash and cash equivalents		<u>\$ 24,441</u>
Capital assets (net)		<u>14,012</u>
TOTAL ASSETS		<u><u>\$ 38,453</u></u>
 <b><u>NET ASSETS</u></b>		
<b>Net Assets:</b>		
Unrestricted		<u>\$ 38,453</u>
TOTAL NET ASSETS		<u><u>\$ 38,453</u></u>

See accompanying notes to the basic financial statements.

**McCRACKEN COUNTY, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Jail Canteen Fund</b>
<b>Operating Revenues:</b>	
Canteen commission	<u>\$ 40,718</u>
<b>Operating Expenses:</b>	
Educational and recreational	17,253
Depreciation expense	738
Rent expense	<u>2,487</u>
Total operating expenses	<u>20,478</u>
Operating income	20,240
<b>Nonoperating Revenues (Expenses):</b>	
Interest income	73
Transfer from General Fund	<u>49,000</u>
Total nonoperating revenues (expenses)	49,073
Change in net assets	69,313
Net assets (liabilities), July 1, 2006	<u>(30,860)</u>
NET ASSETS, JUNE 30, 2007	<u><u>\$ 38,453</u></u>

See accompanying notes to the basic financial statements.

**McCRACKEN COUNTY, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities:</b>	
Commission earned	\$ 40,718
Educational and recreational	(22,527)
Operating lease rental payments	(2,487)
	<hr/>
Net cash provided by operating activities	15,704
	<hr/>
<b>Cash Flows From Investing Activities:</b>	
Capital purchases	(14,750)
Interest earned	73
	<hr/>
Net cash used by investing activities	(14,677)
	<hr/>
Net increase in cash and cash equivalents	1,027
Cash and cash equivalents, July 1, 2006	23,414
	<hr/>
CASH AND CASH EQUIVALENTS, JUNE 30, 2007	\$ 24,441
	<hr/> <hr/>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating income	\$ 20,240
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts payable	(5,274)
Depreciation expense	738
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 15,704
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

**McCRACKEN COUNTY, KENTUCKY**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2007**

<b><u>ASSETS</u></b>	<b>Agency Funds</b>				<b>Totals</b>
	<b>Car Rental Tax Fund</b>	<b>Jail Inmate Fund</b>	<b>Unclaimed Monies Fund</b>	<b>Transient Room Tax Fund</b>	
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 27,611	\$ 3,768	\$136,647	\$134,625	\$302,651
<b>TOTAL ASSETS</b>	<b>\$ 27,611</b>	<b>\$ 3,768</b>	<b>\$136,647</b>	<b>\$134,625</b>	<b>\$302,651</b>
<b><u>LIABILITIES</u></b>					
Amounts held in custody for others	\$ 27,611	\$ 3,768	\$136,647	\$134,625	\$302,651
<b>TOTAL LIABILITIES</b>	<b>\$ 27,611</b>	<b>\$ 3,768</b>	<b>\$136,647</b>	<b>\$134,625</b>	<b>\$302,651</b>

See accompanying notes to the basic financial statements.



**McCRACKEN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Note 1 - Summary of Significant Accounting Policies:**

**Reporting Entity**

For financial reporting purposes, the McCracken County Fiscal Court includes the funds, agencies, boards, and entities for which the Fiscal Court (primary government) is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the primary government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the Fiscal Court is financially accountable or whose exclusion would cause the financial statements to be misleading or incomplete.

Component units may be blended or discretely presented. Blended component units are those that either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. Amounts related to blended component units are included as if the component unit was part of the primary government.

McCracken County has no discretely presented component units.

*Blended Component Unit*

The following legally separate organization provides its services exclusively to the primary government, and the Fiscal Court is able to impose its will on this organization. This organization's balances and transactions are reported as though it is part of the primary government using the blended method.

McCracken County Public Properties Corporation

The McCracken County Fiscal Court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the Fiscal Court is financially accountable and legally obligated for the debt of the Public Properties Corporation. Financial information for the Public Properties Corporation is blended within McCracken County's financial statements. All activities of the Public Properties Corporation are accounted for within a major debt service fund.

*Additional – McCracken County Constitutional Elected Officials*

The Kentucky constitution provides for election of the following officials from the geographic area constituting McCracken County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the Fiscal Court, various cities and special districts within the County, and the Board of Education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Note 1 - Summary of Significant Accounting Policies:**

**Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

*Government-wide Financial Statements*

The Statement of Net Assets and Statement of Activities report information on all governmental and business-type activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities are generally characterized by their use of taxes and intergovernmental revenues as funding sources. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in government-wide financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenues once provider-imposed eligibility requirements have been met.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities with the difference between the two shown as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

A significant feature of the government-wide statement of activities is the presentation of each program's net (expenses) revenues. Generally Accepted Accounting Principles (GAAP) require the reporting of a program's net (expenses) revenues to indicate how self-sustaining the program is and to reveal the extent of reliance on other governmental units.

Program revenues are resources that derive directly from the program itself or from parties outside the government that reduce the total expense of the benefiting functional activity to arrive at the net expense of the activity. The statement of activities categorizes program revenues into three groups: charges for services; operating grants and contributions; and capital grants and contributions. Revenues not considered program revenues are classified as general revenues. General revenues include all taxes regardless of type.

*Fund Financial Statements*

The accompanying financial statements are structured into three fund categories including governmental funds, proprietary funds and fiduciary funds. Funds are characterized as either major or nonmajor. Major funds are those funds whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds of the category or type (governmental or enterprise funds), and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The Fiscal Court may also designate any fund as a major fund.

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Note 1 - Summary of Significant Accounting Policies:**

**Basis of Presentation**

*Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

All governmental fund statements are accounted for on the modified accrual basis of accounting and focus on the flow of current financial resources. In accordance with the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period. Revenues are considered to be available when they are either collected within the current period or their collection is expected shortly after the end of the current period in time to meet current liabilities. The County generally includes those revenues to be received up to 60 days following the end of the accounting period.

In governmental funds, where the focus is on the flow of current resources, expenditures are usually recorded at the time liabilities are incurred. Exceptions are: inventories, prepayments, and acquisition of capital assets which are recorded at the time of acquisition; principal and interest on long-term debt, as well as compensated absences which are recorded as expenditures in the period payment is made.

The government reports the following major governmental funds:

General Fund – This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund – This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

Jail Fund – The primary purpose of this fund is to account for the jail expenses of the County. The primary sources of revenue for this fund are reimbursements from the state, other counties for housing prisoners and transfers from the General Fund. The Governor's Office for Local Development requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

Sheriff Fund – The primary purpose of this fund is to account for the expenses of the sheriff's department. The primary sources of revenue for this fund are reimbursements from the state and fees and fines collected.

State Grant Fund – The primary purpose of this fund is to account for state grant monies that are received and expended by the County.

Debt Service Fund – The primary purpose of this fund is to account for the accumulation of resources for, and the payment of general long-term debt principal and interest of the McCracken County Public Properties Corporation.

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Note 1 - Summary of Significant Accounting Policies:**

**Basis of Presentation**

*Fund Financial Statements*

**Governmental Funds**

The primary government also has the following nonmajor funds:

Juvenile Justice Fund, Federal Grant Fund, Local Government Economic Assistance Fund, and Transient Room Holding Fund.

The governmental funds by type are as follows:

Special Revenue Funds – The Road Fund, Jail Fund, Sheriff Fund, Federal Grant Fund, Juvenile Justice Fund, State Grant Fund, and Local Government Economic Assistance Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Funds – The Debt Service Fund and the Transient Room Holding Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**Proprietary Funds**

Proprietary funds use the full accrual basis of accounting, recognizing revenues and expense when they occur, regardless of the timing of the cash flows. On the statement of revenues, expenses, and changes in fund net assets, the term “expenses” (not “expenditures” as in governmental funds on a modified accrual basis) describes the decrease in economic benefits and emphasizes the accrual basis of accounting.

Proprietary funds’ revenues and expenses are divided into operating and nonoperating revenues and expenses. Although not specifically defined by GAAP, operating revenues and expenses are considered to be those resources gained and consumed to produce and deliver goods and services that are central to that fund’s particular purpose. Other revenues and expenses are classified as nonoperating. Operating and nonoperating expense are further characterized by object.

Furthermore, the government has adopted the provisions of GASB Statement No. 20, “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Funds that use Proprietary Fund Accounting.” As permitted by GASB Statement No. 20, the government’s proprietary fund has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless GASB specifically adopts such FASB Statements or Interpretations.

The primary government reports the following proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the County Treasurer the revenues and expenses of the Jail Canteen Fund.

**Fiduciary Funds**

Fiduciary funds are defined as funds used to report assets held in a trustee or agency capacity for others which, therefore, cannot be used to support the government’s own programs. This category of funds includes agency funds. The government’s fiduciary funds types are described below.

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Note 1 - Summary of Significant Accounting Policies:**

**Basis of Presentation**

*Fund Financial Statements*

Fiduciary Funds

Agency Funds account for monies held by the County for custodial purpose only. Unlike other funds, the agency funds report assets and liabilities only; therefore, they have no measurement focus. However, the agency funds use the accrual basis of accounting when recognizing payables and receivables.

The Agency funds of McCracken County are the Car Rental Tax Fund, Unclaimed Monies Fund, Jail Inmate Fund, and the Transient Room Tax Fund.

Since fiduciary fund resources are not available to support government programs, fiduciary funds are excluded from the government-wide financial statements. Inclusion of these funds would create a misleading view of the government's financial position and results of activities.

Fund Balance

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent the Fiscal Court's intended use of the resources and reflect actual plans approved by the Fiscal Court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and long-term receivables.

**Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents are reported at cost.

KRS 66.480 authorizes the County to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). McCracken County did not have any investments as of June 30, 2007.

**Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details of interfund transactions, including receivables and payables at year end.

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Note 1 - Summary of Significant Accounting Policies:**

**Receivables**

*Government-wide Financial Statements*

In the government-wide financial statements, receivables consist of all revenues earned at year end and not yet received. Major receivable balances for the governmental activities include property taxes.

*Fund Financial Statements*

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

**Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-wide Financial Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	20-50 years
Furniture and equipment	5-10 years
Infrastructure	15-50 years

*Fund Financial Statements*

Fund financial statements for governmental funds expense capital assets when purchased. Such assets are recorded at historical cost, or estimated historical cost when purchased or constructed, or fair market value at the time of donation. Fund financial statements for proprietary funds account for capital assets the same as the government-wide financial statements.

**Long-Term Debt**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Note 1 - Summary of Significant Accounting Policies:**

**Compensated Absences**

The County's policies regarding vacation time permit employees to accumulate earned but unused vacation and sick leave. Accumulated vacation leave is paid upon termination or retirement. The liability for accumulated vacation leave is recorded as long-term debt in the government-wide statements. Accumulated sick leave is not recorded due to the contingent nature of the liability. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

**Property Taxes**

The County's primary revenues are property taxes, fees, grants and other intergovernmental payments.

The McCracken County Clerk bills and the Sheriff collects property taxes for the County. The taxes are remitted to the County by the Sheriff's office. County property tax revenues are recognized when levied in accordance with GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The due dates and collection period for all property taxes for the year ended June 30, 2007, are as follows:

<u>Description</u>	<u>Date</u>
Assessment and enforceable lien	January 1, 2006
Levy	September 18, 2006
Face value amount payment dates	December 31, 2006
Delinquent date	January 1, 2007

**Budgetary Information**

The budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1. The Fiscal Court may change the original budget by transferring appropriations at the activity level, but may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Related Organizations**

County officials are responsible for appointing the members of boards of other organizations, but the County's accountability for these organizations does not extend beyond appointing authority. The organizations listed below are notable related organizations, which have not been included in the County's report.

Paducah-McCracken County Convention Center  
Paducah-McCracken County Visitors Bureau  
McCracken County Extension District  
Paducah-McCracken County Joint Sewer Agency  
West McCracken Water/Sewer District  
Paducah-McCracken County Senior Citizens Center  
Paducah-McCracken County Industrial Dev. Authority

Hendron Fire District  
Concord Fire Protection District  
McCracken County Public Library  
West McCracken Fire District  
Hendron Water District  
Lone Oak Fire District  
Reidland-Farley Fire District

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Note 1 - Summary of Significant Accounting Policies:**

**Joint Ventures**

The County participates in several separate activities that are subject to joint control in which the County maintains an ongoing financial interest and responsibility. The following is a list of joint ventures in which the County is a participant.

*Paducah-McCracken County 911* - The County entered into an interlocal agreement with the City of Paducah, Kentucky in May of 1991 to administer 911 services for McCracken County, Kentucky. The County is billed monthly for its share of the excess operating costs over revenues, based on the ratio of services inside and outside the city limits. For fiscal year ending June 30, 2007, the County provided \$285,879 to Paducah-McCracken County 911.

*McCracken and Paducah Geographic Information System* - The County entered into an interlocal agreement with E911 and the City of Paducah, Kentucky in 2004 to share the costs of the Geographic Information System operations. The County is billed monthly for its portion of the costs. For fiscal year ending June 30, 2007, the County paid \$26,939 to the McCracken and Paducah Geographic Information System.

*Paducah-McCracken County Telecommunications/Information* - The County entered into an interlocal agreement with the City of Paducah, Kentucky in May of 1997 to establish a computer network and phone system to be used by both the County and City government. Fees are charged based on the number of telephone and computer connections utilized by the governments. For fiscal year ending June 30, 2007, the County paid \$25,984 to the Paducah-McCracken County Telecommunications/Information.

**Note 2 - Stewardship, Compliance, and Accountability:**

By its nature as a local government unit, the County is subject to various federal, state, and local laws and contractual regulations. The government-wide and fund financial statements serve as an analysis of the County's compliance with significant laws and regulations and demonstration of its stewardship over County resources.

The County complies with all federal, state, and local laws and regulations requiring the use of separate funds.

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

**Deposits**

The County maintains deposits of public funds with depository institutions insured by the FDIC. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2007, the County's deposits were fully insured or collateralized at a 100 percent level with collateral of either pledged securities held by the County's agent not in the County's name, or by a surety bond which named the County as beneficiary/obligee on the bond.

At year end, the carrying amount of the Fiscal Court's cash in bank was \$8,056,495 and the bank balance was \$8,672,162. As of June 30, 2007, \$100,101 of the County's bank balance was covered by FDIC insurance, and the remaining balance of \$8,572,061 was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The remaining balance of \$8,572,061 was uninsured and collateralized with securities held by the pledging bank's agent not in the County's name.

(Continued)



**McCRACKEN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

**Disaggregation of Accounts Payable and Accounts Receivable**

Accounts payable of the government represents amounts owed by the County as of June 30, 2007. Those liabilities that must be paid within one year are considered current. Amounts due after one year are deemed noncurrent liabilities. Accounts receivable are amounts owed to the government. Similar to accounts payable, any amounts to be received within one year are classified as current. All other receivables are noncurrent. For Governmental Activities and Business-Type Activities, the lines indicating "Accounts Receivable, Net" and "Accounts Payable" are described below.

Under the modified accrual basis of accounting, as used in the fund statements, amounts outstanding but owed at the end of the year may be recorded in one of two ways. If the receivable is measurable and expected to be collected within 60 days, revenue is recognized. However, if the receivable is not expected to be collected within 60 days, it is not considered to be available to liquidate the liabilities of the current period and will be reported as deferred revenue. Furthermore, unearned revenue is always reported as deferred revenue. Deferred revenue is reported as a liability until meeting the criteria for revenue recognition.

	<b><u>Governmental Funds</u></b>				
	<b><u>Major Funds</u></b>	<b><u>Nonmajor Funds</u></b>	<b><u>Total Governmental Funds</u></b>		
<b>Accounts Receivable:</b>					
Taxes	\$4,267,516	\$ -	\$4,267,516		
License and permits	228,487	-	228,487		
Intergovernmental	850,609	228,599	1,079,208		
Charges for services	90,151	-	90,151		
Miscellaneous revenues	20,211	-	20,211		
Allowance for doubtful accounts	<u>(73,867)</u>	<u>-</u>	<u>(73,867)</u>		
<b>TOTAL ACCOUNTS RECEIVABLE, NET</b>	<b><u>\$5,383,107</u></b>	<b><u>\$228,599</u></b>	<b><u>\$5,611,706</u></b>		

	<b><u>Governmental Funds</u></b>			<b><u>Business-type Activities</u></b>	<b><u>Total Primary Government</u></b>
	<b><u>Major Funds</u></b>	<b><u>Nonmajor Funds</u></b>	<b><u>Total Governmental Funds</u></b>	<b><u>Major Fund</u></b>	
<b>Accounts Payable:</b>					
General government	\$ 76,222	\$ -	\$ 76,222	\$ -	\$ 76,222
Protection to persons and property	192,222	31,296	223,518	-	223,518
General health and sanitation	39,426	-	39,426	-	39,426
Social services	56,166	-	56,166	-	56,166
Recreation and culture	3,632	-	3,632	-	3,632
Road	<u>19,293</u>	<u>-</u>	<u>19,293</u>	<u>-</u>	<u>19,293</u>
<b>TOTAL ACCOUNTS PAYABLE</b>	<b><u>\$ 386,961</u></b>	<b><u>\$31,296</u></b>	<b><u>\$ 418,257</u></b>	<b><u>\$ -</u></b>	<b><u>\$418,257</u></b>

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

**Notes Receivable**

The County has a note receivable from the City of Paducah for fifty percent of a speculative building project in the principal amount of \$105,000. Payment from the City is received monthly in conjunction with the terms of the County's lease payments for financing of the project. Final payment is expected to be received by July 20, 2010.

**Capital Assets**

Capital asset activity for the year ended June 30, 2007, was as follows:

	<b>Primary Government</b>		
	<b><u>Balance</u></b>		<b><u>Balance</u></b>
<b>Governmental Activities:</b>	<b><u>July 1, 2006</u></b>	<b><u>Increases</u></b>	<b><u>June 30, 2007</u></b>
Capital assets, not being depreciated:			
Land and land improvements	<u>\$ 1,473,832</u>	<u>\$ -</u>	<u>\$ 1,473,832</u>
Capital assets, being depreciated:			
Buildings	30,550,457	75,194	-
Furniture and equipment	5,567,335	782,660	(19,092)
Infrastructure	87,081,754	29,271	-
Construction in progress	<u>373,091</u>	<u>-</u>	<u>(373,091)</u>
Total capital assets, being depreciated	<u>123,572,637</u>	<u>887,125</u>	<u>(392,183)</u>
Less accumulated depreciation:			
Buildings	(13,979,782)	(457,981)	-
Furniture and equipment	(3,380,519)	(436,073)	19,092
Infrastructure	<u>(53,190,500)</u>	<u>(2,115,547)</u>	<u>-</u>
Total accumulated depreciation	<u>(70,550,801)</u>	<u>(3,009,601)</u>	<u>19,092</u>
Total capital assets, being depreciated, net	<u>53,021,836</u>	<u>(2,122,476)</u>	<u>(373,091)</u>
<b>GOVERNMENTAL ACTIVITIES</b>			
<b>CAPITAL ASSETS, NET</b>	<u><b>\$ 54,495,668</b></u>	<u><b>\$(2,122,476)</b></u>	<u><b>\$ (373,091)</b></u>
<b>Business-type Activities:</b>			
Capital assets, being depreciated:			
Furniture and equipment	\$ 47,544	\$ 14,750	\$ -
Less accumulated depreciation:			
Furniture and equipment	<u>(47,544)</u>	<u>(738)</u>	<u>-</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>14,012</u>	<u>-</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
<b>CAPITAL ASSETS, NET</b>	<u><b>\$ -</b></u>	<u><b>\$ 14,012</b></u>	<u><b>\$ -</b></u>

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

Depreciation expense was charged to the funds as follows:

**Governmental Activities:**

General government:	
General Fund	\$ 302,296
Road Fund	2,219,421
Jail Fund	226,415
Sheriff Fund	122,647
Federal Grant Fund	<u>138,822</u>
 TOTAL DEPRECIATION EXPENSE – GOVERNMENTAL ACTIVITIES	 <u><u>\$3,009,601</u></u>

**Business-type Activities:**

Jail Canteen	<u><u>\$ 738</u></u>
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**Interfund Transactions and Balances**

*Individual Fund Operating Transfers*

Operating transfers during the year ended June 30, 2007, were as follows:

<b>Fund:</b>	<b><u>Interfund Transfers In</u></b>	<b><u>Interfund Transfers Out</u></b>
General Fund	\$ 700,583	\$ 6,875,081
Road Fund	1,242,032	678,773
Jail Fund	3,355,997	207,829
Sheriff Fund	1,322,866	-
Federal Grant Fund	283,715	283,706
Debt Service Fund	962,597	-
Juvenile Justice Fund	130,463	-
State Grant Fund	20,400	19,442
Jail Canteen Fund	49,000	-
Local Government Economic Assistance Fund	<u>-</u>	<u>2,822</u>
 TOTALS	 <u><u>\$ 8,067,653</u></u>	 <u><u>\$ 8,067,653</u></u>

*Due To/From Balances*

<b><u>Receivable Fund</u></b>	<b><u>Payable Fund</u></b>	<b><u>Amount</u></b>
General Fund	Federal Grant Fund	\$ 348,008
State Grant Fund	Federal Grant Fund	28,014

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

**Lease Agreements**

On May 18, 1999, the County entered into a lease agreement with Rape Victim Services for a building in which to conduct the activities of Rape Victim Services, Inc. The lease is for 99 years beginning in July, 1999. The lessee agreed to pay the County one dollar on or before January 1 of each year.

On February 21, 2003, the County entered into a lease agreement with the Family Service Society, Inc. for a building in which to conduct the activities of the Family Service Society, Inc. The lease is for five years beginning on February 21, 2003, and ending on February 21, 2008, or terminating on such date as the property is transferred from the McCracken County Fiscal Court to Family Service Society, Inc. The lessee agreed to pay the County one dollar on or before February 21 of each year.

On June 1, 2004, the City of Paducah ("City") and County entered into a lease agreement with the Paducah McCracken County Industrial Development Authority. The leased property is an approximately 100,000 square foot building located in Industrial Park West. This project was financed with the City's General Obligation Public Project Bonds, Series 2004, dated June 1, 2004, and the County's issuance of a note payable to the City for fifty percent of the project in the principal amount of \$2,500,000. The lease period commenced with the issuance of the bonds and ends on August 15, 2024. Lease payments are solely derived from revenues received from a sublease and payments are expected as follows:

<b><u>Fiscal Year Ended June 30</u></b>	<b><u>Total Payment</u></b>
2008	\$ 338,162
2009	405,795
2010	405,795
2011	405,795
2012	405,795
2013-2024	<u>4,835,720</u>
<b>TOTAL</b>	<b><u>\$6,797,062</u></b>

On August 20, 2004, the County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) in the amount of \$300,000. This lease was authorized for the purpose of financing the replacement of the jail's roof. Monthly principal and interest payments are to be made beginning September 20, 2004, with the final payment due on August 20, 2009. Prior to May 1 of each fiscal year during the lease term, the County is informed of the interest rate set for the next fiscal year. Based on the rate of 4.25 percent provided for the fiscal year beginning July 1, 2007, future payments are as follows:

<b><u>Fiscal Year Ended June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Payment</u></b>
2008	\$ 61,435	\$ 5,479	\$ 66,914
2009	63,267	2,357	65,624
2010	<u>10,726</u>	<u>83</u>	<u>10,809</u>
<b>TOTALS</b>	<b><u>\$135,428</u></b>	<b><u>\$7,919</u></b>	<b><u>\$143,347</u></b>

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

**Lease Agreements**

On May 27, 2005, the County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) in the amount of \$300,000. This lease was authorized for the purpose of partially financing the Industrial Development Authority's construction of a new speculative building in the Industrial Park West. The City of Paducah has issued a note payable to the County for fifty percent of the project in the principal amount of \$150,000. Annual principal payments and monthly interest payments are to be made beginning July 20, 2005, with final payment due on July 20, 2010. Prior to May 1 of each fiscal year during the lease term, the County is informed of the interest rate set for the next fiscal year. Based on the rate of 4.25 percent provided for the fiscal year beginning July 1, 2007, future payments are as follows:

<b><u>Fiscal Year Ended June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Payment</u></b>
2008	\$ 50,000	\$ 8,378	\$ 58,378
2009	50,000	5,854	55,854
2010	55,000	3,105	58,105
2011	<u>55,000</u>	<u>243</u>	<u>55,243</u>
<b>TOTALS</b>	<b><u>\$210,000</u></b>	<b><u>\$17,580</u></b>	<b><u>\$227,580</u></b>

On November 22, 2005, the County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) in the amount of \$262,900. This lease was authorized for the purpose of acquiring a ditching machine for the road department. Annual principal payments and monthly interest payments are to be made beginning January 1, 2006, with final payment due on July 20, 2008. Prior to May 1 of each fiscal year during the lease term, the County is informed of the interest rate set for the next fiscal year. Based on the rate of 4.25 percent provided for the fiscal year beginning July 1, 2007, future payments are as follows:

<b><u>Fiscal Year Ended June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Payment</u></b>
2008	\$ 90,000	\$ 4,677	\$ 94,677
2009	<u>82,900</u>	<u>374</u>	<u>83,274</u>
<b>TOTALS</b>	<b><u>\$172,900</u></b>	<b><u>\$ 5,051</u></b>	<b><u>\$177,951</u></b>

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

**Lease Agreements**

On December 7, 2005, the County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) in the amount of \$400,000. This lease was authorized for the purpose of real property development in the Riverport area. Annual principal payments and monthly interest payments are to be made beginning January 20, 2006, with final payment due on July 20, 2012. Prior to May 1 of each fiscal year during the lease term, the County is informed of the interest rate set for the next fiscal year. Based on the rate of 4.25 percent provided for the fiscal year beginning July 1, 2007, future payments are as follows:

<b><u>Fiscal Year Ended June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Payment</u></b>
2008	\$ 50,000	\$15,335	\$ 65,335
2009	55,000	12,800	67,800
2010	55,000	10,047	65,047
2011	60,000	7,061	67,061
2012	65,000	3,835	68,835
2013	<u>65,000</u>	<u>301</u>	<u>65,301</u>
<b>TOTALS</b>	<b><u>\$350,000</u></b>	<b><u>\$49,379</u></b>	<b><u>\$399,379</u></b>

On September 26, 2006, the County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) in the amount of \$ 220,000. This lease was authorized for the replacement of the jail chiller. Annual principal payments and monthly interest payments are to be made beginning October 20, 2006, with final payment due on July 20, 2011. Prior to May 1 of each fiscal year during the lease term, the County is informed of the interest rate set for the next fiscal year. Based on the rate of 4.25 percent provided for the fiscal year beginning July 1, 2007, future payments are as follows:

<b><u>Fiscal Year Ended June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Payment</u></b>
2008	\$ 40,000	\$ 9,417	\$ 49,417
2009	40,000	7,519	47,519
2010	45,000	5,262	50,262
2011	45,000	2,983	47,983
2012	<u>50,000</u>	<u>236</u>	<u>50,236</u>
<b>TOTALS</b>	<b><u>\$220,000</u></b>	<b><u>\$25,417</u></b>	<b><u>\$245,417</u></b>

**Long-Term Debt**

*General Obligation Note Payable*

On June 1, 2001, the County issued a note payable to the City of Paducah, Kentucky (City) in the amount of \$4,645,000. The note was authorized for the purpose of financing the County's contributions to the construction of additions and renovations to the Julian Carroll Convention Center and the construction of a new Four Rivers Center for the Performing Arts and for paying necessary expenses incidental to the Projects and the issuance of the City's General Obligation Bonds (the City's Bonds), Series 2001, dated June 1, 2001, in the principal amount of \$9,290,000. The note has interest rates of 3.5 percent to 5 percent and interest payments are to be made semi-annually beginning December 1, 2001. Principal payments are to be made annually on June 1 with final payment due June 1, 2026.

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

*General Obligation Note Payable*

Under the provisions of KRS 91A.392, the County is entitled to levy and collect a transient room tax in the amount of 6 percent for the rent of rooms by motels, motor courts, hotels, inns and similar accommodation businesses for the benefit of the Paducah-McCracken County Tourist and Convention Commission (the Bureau) and the Paducah-McCracken County Convention Corporation (the Corporation). The County has entered into a certain Interlocal Cooperation Compact (the Compact) with the City, the Bureau, and the Corporation pursuant to KRS 65.210 through 65.300 (the Interlocal Cooperation Act). Under the terms of the Compact, the parties have agreed that 33 1/3 percent of the Room Tax (the Pledged Tax) shall be assigned to the City and pledged to the payment of the City's Bonds. In addition, the Compact provides that the difference between the annual principal and interest requirements of the City's Bonds and the pledged tax shall be borne equally by the County, the City and the Bureau. Therefore, the principal and interest payments due on the Note from the County to the City shall each year be subject to a credit in favor of the County equal to the total of (a) the Pledged Tax, plus (b) 33 1/3 percent of the Overage to be paid by the Bureau, plus (c) 33 1/3 percent of the Overage to be paid by the City.

The future note payments shown below are the maximum that would be paid by the County in the event that the room tax levied were to be declared unconstitutional. The future payments are as follows:

<b>Fiscal Year Ended June 30</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total Payment</b>
2008	\$ 135,000	\$ 79,150	\$ 214,150
2009	140,000	76,450	216,450
2010	145,000	81,936	226,936
2011	152,500	79,594	232,094
2012	160,000	76,162	236,162
2013-2017	910,000	335,496	1,245,496
2018-2022	1,150,000	226,678	1,376,678
2023-2026	<u>1,165,000</u>	<u>75,437</u>	<u>1,240,437</u>
<b>TOTALS</b>	<b><u>\$3,957,500</u></b>	<b><u>\$1,030,903</u></b>	<b><u>\$4,988,403</u></b>

*General Obligation Bonds Payable*

On September 1, 2004, the McCracken County Public Properties Corporation (Corporation) issued \$6,025,000 in Revenue Refunding Bonds (2004 Series) with an average interest rate of 4.082 percent.

The County has previously defeased (refunded) certain prior bonds by placing the proceeds of new bonds in an irrevocable trust to provide for the future debt service payments on the prior bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in these financial statements. The outstanding balances of the defeased (refunded) bonds at June 30, 2007, are \$5,505,000.

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

*General Obligation Bonds Payable*

The Kentucky Administrative Office of the Courts (A.O.C.) has agreed to pay 47.2 percent, with a maximum of \$246,800 annually to the paying agent on behalf of the Corporation as required by a Use and Sublease Agreement between the Public Properties Corporation and the A.O.C. dated September 1, 2004. If the payment from the Sublease Agreement is not sufficient to meet the principal and interest requirements of the bonds, the Corporation is contingently liable for the A.O.C's payments. The future payments are as follows:

<b>Fiscal Year Ended June 30</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total Payment</b>
2008	\$ 310,000	\$ 203,423	\$ 513,423
2009	320,000	193,973	513,973
2010	330,000	183,810	513,810
2011	335,000	173,004	508,004
2012	350,000	161,435	511,435
2013-2017	1,945,000	601,698	2,546,698
2018-2022	915,000	313,646	1,228,646
2023-2027	<u>910,000</u>	<u>91,366</u>	<u>1,001,366</u>
<b>TOTALS</b>	<b><u>\$5,415,000</u></b>	<b><u>\$1,922,355</u></b>	<b><u>\$7,337,355</u></b>

*General Obligation Note Payable*

On May 1, 2004, the County issued a note payable to the City of Paducah, Kentucky (City) in the amount of \$2,500,000. The note was authorized for the purpose of financing the County's contributions to the acquisition, construction and installation of an approximately 100,000 square foot building to be leased by the City and County to the Paducah McCracken Industrial Development Authority and the issuance of the City's General Obligation Public Project Bonds, Series 2004, dated June 1, 2004, in the principal amount of \$5,000,000. The note has interest rates of 2.25 percent to 6 percent and interest payments are to be made semi-annually beginning December 1, 2004. Principal payments are to be made annually on June 1 with the final payment due on June 1, 2024. The future payments are as follows:

<b>Fiscal Year Ended June 30</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total Payment</b>
2008	\$ 87,500	\$ 125,302	\$ 212,802
2009	90,000	121,803	211,803
2010	92,500	117,753	210,253
2011	97,500	113,312	210,812
2012	102,500	108,438	210,938
2013-2017	605,000	454,431	1,059,431
2018-2022	795,000	262,313	1,057,313
2023-2024	<u>387,500</u>	<u>35,250</u>	<u>422,750</u>
<b>TOTALS</b>	<b><u>\$2,257,500</u></b>	<b><u>\$1,338,602</u></b>	<b><u>\$3,596,102</u></b>

(Continued)



**McCRACKEN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Note 3 - Detail Notes on Transaction Classes/Accounts:**

*Changes In Long-Term Liabilities*

Long-term liability activity for the year ended June 30, 2007, was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Amounts Due within One Year</u></b>
<b>Governmental Activities:</b>					
Bonds payable, net of related discounts and reacquisition costs	\$ 5,174,751	\$ 54,822	\$ 310,000	\$ 4,919,573	\$257,574
Landfill post-closure costs	2,062,500	-	-	2,062,500	-
Accrued compensated absences	403,820	-	77,686	326,134	-
Obligations under capital lease	1,275,553	220,000	407,225	1,088,328	291,435
Notes payable, net of related discounts	<u>6,342,852</u>	<u>7,398</u>	<u>212,500</u>	<u>6,137,750</u>	<u>215,269</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
<b>LONG-TERM LIABILITIES</b>	<u>\$15,259,476</u>	<u>\$ 282,220</u>	<u>\$1,007,411</u>	<u>\$14,534,285</u>	<u>\$764,278</u>

*Interest on Long-term Debt*

Debt service on the Statement of Activities includes \$643,606 in total interest expense.

**Note 4 - Other Notes:**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Contingencies**

*Grant Program Involvement*

In the normal course of operations, the County participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Note 4 - Other Notes:**

**Employee Retirement System**

The County has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The County's contribution rate for nonhazardous employees was 13.19 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The County's contribution rate for hazardous employees was 28.21 percent. These actuarially determined rates are established and amended by the Board of Trustees of the system and were equal to the required contributions for the year. The contribution requirements and the amounts contributed to CERS were \$1,606,759, \$1,395,453, and \$1,232,229 respectively, for the years ended June 30, 2007, 2006, and 2005.

Benefits fully vest on reaching five years of service for all employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

**Deferred Compensation**

On November 9, 1982, the McCracken County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is present in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, Kentucky 40601-8862.

**Insurance**

For the fiscal year ended June 30, 2007, McCracken County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Note 4 - Other Notes:**

**Landfill Closure and Post-Closure Costs**

The County landfill closed to the public on June 30, 1995. The County must comply with established state and federal landfill closure procedures and must perform maintenance and monitoring procedures at the site for thirty years after closure. The 30-year period will begin upon approval from the Commonwealth of Kentucky regarding the environmental condition of the landfill site. As of June 30, 2007, approval had not yet been granted. Estimated post-closure care costs total \$4,125,000 or \$125,000 per year plus 10 percent for inflation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. In the year ending June 30, 2001, the County entered into an inter-local agreement with the City of Paducah, Kentucky to share equally the costs for post-closure and, accordingly, the County has recorded a long-term liability for 50 percent of the estimated closure expense. The City of Paducah, Kentucky will reimburse the County annually for its share of closure costs incurred during the fiscal year. It is anticipated that post-closure costs will be paid out of the General Fund to the extent that funds are available with any excess costs being funded using long-term borrowings.

**Other Commitments**

The Industrial Development Authority has financed a total of \$700,000 for the purpose of construction of a new speculative building. The entire loan balance will be due within 60 days of the sale or lease of the facility or within six years from the date of proceeds disbursement. The City of Paducah and the County serve as guarantors for this debt. The County signed an agency agreement with the Industrial Development Authority assigning the County oversight of the financial activity of this project.

On March 26, 2006, G.P.E.D.C., Inc. entered into a loan agreement with an area bank. The City of Paducah and the County serve as guarantors for the debt. At June 30, 2007, the balance of the debt totaled \$443,492 and matures February 25, 2008. The debt carries a variable rate of interest that was 3.5 percent at June 30, 2007.

**Estimated Infrastructure Historical Cost**

Infrastructure historical cost on infrastructure placed in service prior to the year ended June 30, 2003, is an estimate. The primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Infrastructure placed in service beginning June 30, 2003, and thereafter is based on actual cost.

**Related Party Transactions**

The County paid Emergency Equipment Specialists, Inc., which is owned by a former deputy of the Sheriff's department, \$36,434 for equipment in the Sheriff's department.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**McCRACKEN COUNTY, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<b>General Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts (Budgetary Basis)</b>	<b>with Final Budget Over (Under)</b>
<b>Revenues:</b>				
Taxes:				
Property	\$ 3,900,000	\$ 3,900,000	\$ 4,173,977	\$ 273,977
Payroll	4,300,000	4,300,000	5,864,268	1,564,268
Payments in lieu of taxes	820,000	820,000	927,101	107,101
Total taxes	9,020,000	9,020,000	10,965,346	1,945,346
Intergovernmental:				
Intergovernmental	1,005,000	1,005,000	889,539	(115,461)
Charges for services:				
County Clerk - excess fees	30,499	30,499	89,594	59,095
County Attorney - excess fees	15,000	15,000	-	(15,000)
Licenses and permits	390,000	390,000	388,690	(1,310)
Charges for services	227,000	227,000	191,185	(35,815)
Total charges for services	662,499	662,499	669,469	6,970
Miscellaneous:				
Interest	80,000	80,000	274,275	194,275
Rent	175,000	175,000	269,736	94,736
Other	332,500	332,500	368,120	35,620
Total miscellaneous	587,500	587,500	912,131	324,631
Total revenues	11,274,999	11,274,999	13,436,485	2,161,486
<b>Expenditures:</b>				
General government:				
Office of County Judge/Executive:				
Salaries:				
County Judge/Executive	84,200	102,054	102,054	-
Deputy County Judge/Executive	36,945	36,921	36,921	-
Secretary	29,142	29,483	29,482	(1)
Office materials and supplies	5,000	3,752	3,751	(1)
Office equipment	3,500	2,128	2,128	-
Total office of County Judge/Executive	158,787	174,338	174,336	(2)
Office of County Attorney:				
Salaries:				
County Attorney	52,000	70,523	70,522	(1)
Assistant	33,780	27,616	27,616	-
Secretaries	118,105	114,574	114,574	-
Child support staff	305,709	352,697	352,697	-
Office supplies	100	-	-	-
Total office of County Attorney	509,694	565,410	565,409	(1)

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Expenditures:	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
General government:				
Office of County Clerk:				
County Clerk salary	\$ 600	\$ 600	\$ 600	\$ -
Legal notices, recording, and court cost	50,000	45,422	45,421	(1)
Total office of County Clerk	50,600	46,022	46,021	(1)
Office of County Coroner:				
Salaries:				
County Coroner	48,542	49,163	49,163	-
Deputy Coroners	18,031	24,704	24,704	-
Contract labor	1,000	650	650	-
Autopsies and attendant service	10,000	18,572	18,572	-
Supplies and materials	2,500	2,268	2,268	-
Uniforms	1,500	2,347	2,346	(1)
Registrations, conferences, and training	2,500	886	886	-
Travel	4,500	5,484	5,483	(1)
Other equipment	3,000	4,977	4,976	(1)
Total office of County Coroner	91,573	109,051	109,048	(3)
Fiscal Court:				
Commissioners:				
Salaries	61,628	65,567	65,566	(1)
Incentive pay	8,000	6,604	6,604	-
Advertising	9,000	9,735	9,735	-
Courthouse consultants	79,450	108,226	108,226	-
Data processing services	30,000	3,465	3,465	-
Office supplies	35,000	20,937	20,936	(1)
Memberships	12,000	5,911	5,911	-
Memberships KACO	2,500	1,700	1,700	-
Postal charges	20,000	10,863	10,862	(1)
Registrations, conferences, and training	15,000	23,288	23,286	(2)
Motor vehicles	180,000	114,199	114,199	-
Total Fiscal Court	452,578	370,495	370,490	(5)
Office of Property Valuation:				
Administration:				
Statutory contribution	101,300	101,299	101,298	(1)
Board of assessment	500	-	-	-
Total office of property valuation	101,800	101,299	101,298	(1)

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<b>General Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts (Budgetary Basis)</b>	<b>with Final Budget Over (Under)</b>
<b>Expenditures:</b>				
General government:				
Office of County Treasurer:				
County Treasurer salary	\$ 47,066	\$ 32,695	\$ 32,695	\$ -
Clerks	62,160	57,682	57,682	-
Refunds	-	-	194,026	194,026
Office materials and supplies	9,000	8,316	8,315	(1)
Registration conferences and training	2,000	2,963	2,963	-
Office equipment	8,500	1,347	1,347	-
Finance officer	40,638	43,405	43,405	-
Data processing development	200,000	111,917	111,916	(1)
Total office of County Treasurer	369,364	258,325	452,349	194,024
County Law Library:				
Law Librarian salary	1,200	1,200	1,200	-
Elections:				
Board Members' fees	400	475	475	-
Per diem:				
Election officers	50,000	36,475	36,475	-
Election commissioners	3,360	-	-	-
Tabulators	4,800	975	975	-
Per diem and fees	11,000	13,596	13,596	-
Advertising	12,000	10,665	10,664	(1)
Maintenance and repairs - voting machines	1,000	49,504	49,503	(1)
Polling places	3,600	2,790	2,790	-
Supplies and materials	18,500	15,330	15,329	(1)
Printing	60,000	84,635	84,635	-
Renewals and repairs	1,000	-	-	-
Total elections	165,660	214,445	214,442	(3)
Economic development:				
Planning Commission salaries	4,320	4,980	4,980	-
Greater Paducah Economic Development Council	300,000	289,279	230,000	(59,279)
Chamber dues	17,500	1,320	1,320	-
Other	250,000	326,035	326,034	(1)
Total economic development	571,820	621,614	562,334	(59,280)

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Expenditures:	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
General government:				
County Administrator:				
Salaries:				
County Administrator	\$ 78,925	\$ 105,582	\$ 105,582	\$ -
Office supplies	3,000	3,820	3,819	(1)
Travel	2,000	2,209	2,209	-
Office equipment	1,500	411	410	(1)
Total County Administrator	85,425	112,022	112,020	(2)
Courthouse:				
Salaries:				
Custodial personnel	44,161	46,463	46,462	(1)
Maintenance and grounds salaries	46,457	46,114	46,113	(1)
Overtime pay	5,000	2,483	2,482	(1)
Janitorial services	10,000	-	-	-
Custodial supplies	18,000	25,619	25,618	(1)
Office supplies	100	140	140	-
Uniforms	2,000	3,908	3,907	(1)
Renewals and repairs	85,000	114,223	114,223	-
Utilities	140,000	148,757	148,757	-
AOC building project	75,000	63,294	63,294	-
New equipment	50,000	-	-	-
Total courthouse	475,718	451,001	450,996	(5)
Courthouse security:				
Salaries:				
Secretary	28,713	22,934	22,933	(1)
Security staff	125,000	102,994	102,994	-
Equipment	4,000	1,297	1,297	-
Office supplies	2,000	-	-	-
Uniforms	2,000	957	957	-
Registration, conferences and training	1,000	-	-	-
Total courthouse security	162,713	128,182	128,181	(1)
Administration:				
General services:				
Audit services	50,000	97,986	97,986	-
Planning consultant	20,000	50,528	50,527	(1)
Purchase Area Development District	7,500	4,444	4,444	-
Contributions	5,700	18,200	18,200	-

(Continued)



**McCRACKEN COUNTY, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<b>General Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts (Budgetary Basis)</b>	<b>with Final Budget Over (Under)</b>
<b>Expenditures:</b>				
General government:				
Administration:				
Insurance:				
Buildings and contents	\$ 150,571	\$ 151,442	\$ 151,442	\$ -
Errors and omissions	20,162	20,162	20,162	-
Liability	51,000	51,000	51,000	-
Fidelity and surety	5,845	30,042	30,042	-
Professional liability	98,273	98,273	98,273	-
Vehicles and equipment	134,460	134,461	134,460	(1)
Telephone	125,000	130,226	130,225	(1)
Miscellaneous	1,000	409,161	215,135	(194,026)
Contingent appropriations	450,000	-	-	-
Fringe benefits:				
County contributions:				
Social Security	206,000	194,732	194,732	-
Retirement	520,000	405,792	405,792	-
Health insurance	363,000	383,619	383,618	(1)
Unemployment insurance	31,900	16,720	16,720	-
Workmen's compensation	71,290	73,753	73,753	-
Total administration	2,311,701	2,270,541	2,076,511	(194,030)
Total general government	5,508,633	5,423,945	5,364,635	(59,310)
Public safety:				
Building and electrical inspection				
Department:				
Salaries:				
Deputy	77,040	77,157	77,156	(1)
Supervisor	46,481	46,451	46,451	-
Secretary	25,569	26,598	26,598	-
Law enforcement				-
Office materials and supplies	4,000	3,176	3,176	-
Registrations, conferences, and training	4,000	4,390	4,389	(1)
Travel	8,000	9,350	9,350	-
Equipment	2,000	1,349	1,348	(1)
Litter abatement technician	25,000	13,920	13,919	(1)
Code enforcement director	36,185	31,353	31,352	(1)
Abatement materials and supplies	13,200	1,086	1,085	(1)
Law enforcement	3,500	1,232	1,231	(1)
Office supplies	500	917	917	-
Travel	3,500	4,228	4,228	-
New equipment	1,000	-	-	-
Uniforms	500	728	728	-
Total building and electrical inspection	250,475	221,935	221,928	(7)

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<b>General Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts (Budgetary Basis)</b>	<b>with Final Budget Over (Under)</b>
<b>Expenditures:</b>				
Public safety:				
Department of Emergency Services:				
Salaries:				
Supervisor	\$ 39,586	\$ 39,562	\$ 39,560	\$ (2)
Supplies and materials	75,000	108,250	97,565	(10,685)
Hazmat one	25,000	11,471	11,471	-
Renewals and repairs	10,000	19,804	19,804	-
Travel	12,000	16,501	16,500	(1)
Utilities	8,000	8,537	8,536	(1)
Communication equipment	35,000	34,885	34,884	(1)
Other equipment	283,000	331,490	27,628	(303,862)
Ambulance service:				
Emergency 911	265,870	250,662	250,662	-
Total Department of Emergency Services	753,456	821,162	506,610	(314,552)
Forestry fire protection:				
Forest resource services	1,000	1,000	992	(8)
Public defender allotment	8,190	8,190	8,189	(1)
Total forestry fire protection	9,190	9,190	9,181	(9)
Total public safety	1,013,121	1,052,287	737,719	(314,568)
Health and sanitation:				
Animal control:				
Animal control officer	97,961	98,027	98,027	-
Animal food and supplies	5,000	1,475	1,474	(1)
Uniforms	1,500	314	314	-
Vehicle expense	5,000	7,497	7,496	(1)
Registrations, conferences				
and training	3,000	659	658	(1)
Contributions - Humane Society	19,100	19,272	19,272	-
Travel	13,200	11,702	11,701	(1)
Total animal control	144,761	138,946	138,942	(4)
Sanitary landfill:				
Engineering services	15,000	1,075	1,075	-
Evaluation and testing	60,000	34,361	34,360	(1)
Explosive and drilling services	10,000	-	-	-
Solid waste	30,000	31,802	31,801	(1)
Utilities	3,500	25,992	25,992	-
Total sanitary landfill	118,500	93,230	93,228	(2)

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
Expenditures:	Original	Final		
Health and sanitation:				
Soil conservation:				
Contribution	\$ 25,000	\$ 25,095	\$ 25,095	\$ -
Total health and sanitation	288,261	257,271	257,265	(6)
Social services:				
Service to indigents:				
Family service	30,000	47,015	47,015	-
Senior citizens program:				
Contribution	19,000	19,000	19,000	-
Cemeteries and memorials:				
Pauper burials	5,000	6,000	6,000	-
Transportation	12,000	12,000	12,000	-
Paducah Area Transit System	50,000	50,000	50,000	-
Total social services	116,000	134,015	134,015	-
Recreation and culture:				
Carson Park:				
Salaries:				
Supervisor	31,016	30,997	30,996	(1)
Uniforms	550	210	210	-
Renewals and repairs	23,000	45,625	45,625	-
Equipment	9,000	13,859	13,858	(1)
New construction	35,000	47,629	47,628	(1)
Utilities	42,000	39,692	39,692	-
Total Carson Park	140,566	178,012	178,009	(3)
Other recreation programs:				
County park recreation	40,000	49,312	49,311	(1)
County park projects	15,000	23,099	23,099	-
Capital outlay	10,000	5,935	5,935	-
Total other recreation programs	65,000	78,346	78,345	(1)
Total recreation and culture	205,566	256,358	256,354	(4)
Total general fund expenditures	7,131,581	7,123,876	6,749,988	(373,888)
Revenues over (under) expenditures before other financing sources (uses)	4,143,418	4,151,123	6,686,497	2,535,374

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
Other Financing Sources (Uses):	Original	Final		
Transfers in	\$ -	\$ -	\$ 676,396	\$ 676,396
Transfers out	(6,197,337)	(6,197,337)	(6,727,393)	(530,056)
Total other financing sources (uses)	(6,197,337)	(6,197,337)	(6,050,997)	146,340
Revenues over (under) expenditures	(2,053,919)	(2,046,214)	635,500	\$2,681,714
Fund balance, July 1, 2006	(2,434,184)	(3,631,266)	5,754,299	
FUND BALANCES, JUNE 30, 2007	\$(4,488,103)	\$(5,677,480)	\$ 6,389,799	

**McCRACKEN COUNTY, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Road Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts (Budgetary Basis)</b>	<b>with Final Budget Over (Under)</b>
<b>Revenues:</b>				
Intergovernmental:				
Municipal road aid	\$ 331,000	\$ 331,000	\$ 546,986	\$ 215,986
County road aid	710,000	710,000	1,242,995	532,995
Road improvements	770,000	770,000	-	(770,000)
Road state grant	450,000	450,000	368,545	(81,455)
Total Intergovernmental	2,261,000	2,261,000	2,158,526	(102,474)
Fees and fines:				
Licenses and permits	207,000	207,000	240,504	33,504
Miscellaneous:				
Other	1,000	1,000	619	(381)
Total revenues	2,469,000	2,469,000	2,399,649	(69,351)
<b>Expenditures:</b>				
General government:				
Salaries:				
Road Supervisor	47,855	15,199	15,199	-
Foreman	45,940	53,914	53,913	(1)
Office Supervisor	36,002	36,002	35,979	(23)
Contracts with private agencies	60,000	70,174	70,174	-
Office materials and supplies	4,000	3,110	3,110	-
Registrations, conferences, and training	4,000	3,135	3,135	-
Utilities	20,000	22,803	22,802	(1)
Office equipment	3,000	-	-	-
Social Security	50,000	50,968	50,967	(1)
Retirement	81,000	87,801	87,800	(1)
Health and dental insurance	154,000	154,000	137,013	(16,987)
Workmen's compensation	71,290	71,291	71,290	(1)
Total general government	577,087	568,397	551,382	(17,015)
Highways and streets:				
Road labor salaries	575,000	586,363	586,362	(1)
Overtime pay	50,000	29,532	29,531	(1)
County road aid	850,000	167,467	167,466	(1)
Bridge Construction	370,000	567,582	567,582	-
Sewer Construction	175,000	200,246	200,245	(1)
Equipment rental	10,000	14,703	14,702	(1)
Machinery and equipment	100,000	115,217	115,216	(1)

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Road Fund</b>		
	<b>Budgeted Amounts</b>		<b>Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts (Budgetary Basis)</b>
<b>Expenditures:</b>			<b>Variance with Final Budget Over (Under)</b>
Highways and streets:			
Road materials	\$ 770,000	\$ 538,880	\$ 531,405
Uniforms	15,000	14,850	13,232
Renewals and repairs	10,000	10,000	5,239
Total highways and streets	2,925,000	2,244,840	2,230,980
Total road fund expenditures	3,502,087	2,813,237	2,782,362
Revenues over (under) expenditures before other financing sources (uses)	(1,033,087)	(344,237)	(382,713)
<b>Other Financing Sources (Uses):</b>			
Transfers in	1,033,087	1,033,087	1,242,032
Transfers out	-	-	(678,772)
Total other financing sources (uses)	1,033,087	1,033,087	563,260
Revenues over (under) expenditures	-	688,850	180,547
Fund balance, July 1, 2006	-	1,069,660	-
FUND BALANCES, JUNE 30, 2007	\$ -	\$1,758,510	\$ 180,547

**McCRACKEN COUNTY, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Jail Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts (Budgetary Basis)</b>	<b>with Final Budget Over (Under)</b>
<b>Revenues:</b>				
Intergovernmental:				
State jail allotment	\$ 255,000	\$ 255,000	\$ 255,801	\$ 801
State medical allotment	15,700	15,700	15,698	(2)
Total Intergovernmental	270,700	270,700	271,499	799
Fees and fines:				
Housing prisoners	1,500,000	1,500,000	1,572,562	72,562
DUI fees	19,000	19,000	22,830	3,830
Court costs	30,000	30,000	71,960	41,960
Jail bond acceptance fees	5,000	5,000	7,777	2,777
General prisoner fees	100,000	100,000	74,854	(25,146)
Total fees and fines	1,654,000	1,654,000	1,749,983	95,983
Miscellaneous:				
Telephone commissions	255,000	255,000	253,916	(1,084)
Home incarceration fees	100,000	100,000	89,124	(10,876)
Other	138,000	138,000	123,820	(14,180)
Total miscellaneous	493,000	493,000	466,860	(26,140)
Total revenues	2,417,700	2,417,700	2,488,342	70,642
<b>Expenditures:</b>				
General government:				
Office of Jailer:				
Personnel services:				
Salaries:				
Jailer	82,550	86,159	86,159	-
Jail personnel	1,084,977	1,269,174	1,269,174	-
Medical personnel	251,586	227,400	227,400	-
Secretaries	84,442	63,978	63,978	-
Food service personnel	153,739	152,161	152,160	(1)
Maintenance and grounds personnel	97,703	59,729	59,730	1
Incentive pay	5,000	-	-	-
Overtime pay	150,000	253,716	253,715	(1)
Fringe benefits:				
County contributions:				
Social Security	136,000	146,543	146,543	-
Retirement	468,000	538,478	538,478	-
Health insurance	479,600	471,003	471,002	(1)
Workmen's compensation	71,290	71,291	71,290	(1)
Total office of Jailer	3,064,887	3,339,632	3,339,629	(3)

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Jail Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts (Budgetary Basis)</b>	<b>with Final Budget Over (Under)</b>
<b>Expenditures:</b>				
General government:				
General services:				
Memberships	\$ 2,200	\$ 2,200	\$ 1,500	\$ (700)
Registrations, conferences, and training	5,000	9,850	9,850	-
Total general services	7,200	12,050	11,350	(700)
Total general government	3,072,087	3,351,682	3,350,979	(703)
 Public safety:				
Operations:				
Contracts with government agencies	25,000	-	-	-
Maintenance:				
Building repairs	20,000	20,667	20,666	(1)
Equipment repairs	50,000	317,107	317,107	-
Pest control	5,000	5,200	5,200	-
Solid waste	2,000	-	-	-
Building and maintenance supplies	20,000	36,626	36,625	(1)
Custodial supplies	70,000	90,380	90,380	-
Food preparation and serving supplies	25,000	21,540	21,539	(1)
Food	750,000	966,976	966,976	-
Linens	10,000	-	-	-
Office supplies	9,000	31,160	31,160	-
Personal hygiene	30,000	3,191	3,191	-
Prisoner clothing	20,000	22,382	22,382	-
Uniforms	20,000	24,346	24,346	-
Routine medical	500,000	560,857	560,856	(1)
Mental health	24,000	5,388	5,388	-
Telephone	90,000	90,000	86,829	(3,171)
Travel	9,000	9,000	8,109	(891)
Utilities	310,000	297,202	297,202	-
Vehicle expense	5,000	17,147	17,146	(1)
Miscellaneous	1,000	9,661	9,661	-
Lease payments	15,000	11,000	8,537	(2,463)
Communication equipment	5,000	5,000	4,401	(599)
Data processing equipment	10,000	10,000	4,120	(5,880)
Food service equipment	10,000	10,000	9,045	(955)

(Continued)



**McCRACKEN COUNTY, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Jail Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
Expenditures:	Original	Final		
Public safety:				
Operations:				
Maintenance:				
Furniture and fixtures	\$ 5,000	\$ 2,437	\$ 1,773	\$ (664)
Office equipment	3,000	3,000	1,690	(1,310)
Total public safety	2,043,000	2,570,267	2,554,329	(15,938)
Total jail fund expenditures	5,115,087	5,921,949	5,905,308	(16,641)
Revenues over (under) expenditures before other financing sources (uses)	(2,697,387)	(3,504,249)	(3,416,966)	87,283
Other Financing Sources (Uses):				
Transfers in	2,697,387	2,697,387	3,355,997	658,610
Transfers out	-	-	(158,828)	(158,828)
Note proceeds	-	220,000	220,000	-
Total other financing sources (uses)	2,697,387	2,917,387	3,417,169	499,782
Revenues over (under) expenditures	-	(586,862)	203	\$ 587,065
Fund balance, July 1, 2006	-	(622,343)	2,232	
FUND BALANCES, JUNE 30, 2007	\$ -	\$(1,209,205)	\$ 2,435	

**McCRACKEN COUNTY, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Sheriff Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues:	Original	Final		
Intergovernmental:				
Incentive pay	\$ 8,000	\$ 8,000	\$ 9,044	\$ 1,044
Fees and fines:				
Sheriff fees	1,496,174	1,496,174	1,426,240	(69,934)
Miscellaneous:				
Other	1,000	1,000	-	(1,000)
Total revenues	1,505,174	1,505,174	1,435,284	(69,890)
Expenditures:				
General government:				
Salaries:				
Sheriff	89,153	48,149	48,149	-
Deputies	1,080,034	1,193,461	1,193,461	-
Clerks	49,567	11,259	11,258	(1)
Overtime pay	125,000	135,070	135,070	-
Incentive pay	114,700	116,925	116,924	(1)
Law enforcement service fees	1,500	96	96	-
Advertising tax bills	55,000	20,298	20,298	-
Ammunition	2,000	473	472	(1)
Motor vehicle parts	72,000	55,478	55,478	-
Office materials and supplies	28,000	31,513	31,512	(1)
Petroleum products	125,000	121,628	121,628	-
Uniforms	16,000	17,341	17,341	-
Gun range	2,500	2,000	2,000	-
Postal charges	15,000	14,229	14,228	(1)
Travel	15,000	1,247	1,247	-
Communication equipment	12,000	14,850	14,849	(1)
Other equipment	15,000	25,952	55,302	29,350
Registrations, conferences, and training	3,500	5,882	5,882	-
Fringe benefits:				
Social Security	111,571	108,847	103,592	(5,255)
Retirement	405,000	405,000	402,151	(2,849)
Health insurance	340,000	347,827	347,826	(1)
Workmen's compensation	71,290	71,291	71,290	(1)
Total sheriff's fund expenditures	2,748,815	2,748,816	2,770,054	21,238
Revenues over (under) expenditures before other financing sources (uses)	(1,243,641)	(1,243,642)	(1,334,770)	(91,128)

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Sheriff Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
Other Financing Sources (Uses):	Original	Final		
Transfers in	\$ 1,243,641	\$ 1,243,641	\$ 1,334,770	\$ 91,129
Transfers out	-	-	-	-
Total other financing sources (uses)	1,243,641	1,243,641	1,334,770	91,129
Revenues over (under) expenditures	-	(1)	-	\$ 1
Fund balance, July 1, 2006	-	464,133	-	
FUND BALANCES, JUNE 30, 2007	\$ -	\$ 464,132	\$ -	

**McCRACKEN COUNTY, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	State Grant Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues:	Original	Final		
Intergovernmental:				
State reimbursements	\$ 200,000	\$1,200,000	\$1,447,054	\$ 247,054
Total revenues	200,000	1,200,000	1,447,054	247,054
Expenditures:				
State grants:				
State grant expenditures	200,000	1,200,000	602,155	(597,845)
Total state grant fund expenditures	200,000	1,200,000	602,155	(597,845)
Revenues over (under) expenditures before other financing sources (uses)	-	-	844,899	844,899
Other Financing Sources (Uses):				
Transfers in	-	-	20,400	20,400
Transfers out	-	-	(42,131)	(42,131)
Total other financing sources (uses)	-	-	(21,731)	(21,731)
Revenues over (under) expenditures	-	-	823,168	\$ 823,168
Fund balance, July 1, 2006	-	-	25,434	
FUND BALANCES, JUNE 30, 2007	\$ -	\$ -	\$ 848,602	

**McCRACKEN COUNTY, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Sheriff Fund</b>	<b>State Grant Fund</b>
<b>Sources/Inflows of Resources:</b>					
Actual amounts (budgetary basis)	\$13,436,485	\$2,399,649	\$2,488,342	\$1,435,284	\$1,447,054
Differences - budget to GAAP:					
The County budgets for revenues only to the extent they are expected to be received, rather than on the modified accrual basis.	(14,363)	52,571	4,573	(43,472)	(846,352)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$13,422,122</u>	<u>\$2,452,220</u>	<u>\$2,492,915</u>	<u>\$1,391,812</u>	<u>\$ 600,702</u>
<b>Uses/Outflows of Resources:</b>					
Actual amounts (budgetary basis)	\$ 6,749,988	\$2,782,362	\$5,905,308	\$2,770,054	\$ 602,155
Differences - budget to GAAP:					
The County budgets for claims only to the extent they are expected to be paid, rather than on the modified accrual basis.	(273,058)	(194,821)	794	8,280	(495)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 6,476,930</u>	<u>\$2,587,541</u>	<u>\$5,906,102</u>	<u>\$2,778,334</u>	<u>\$ 601,660</u>

**McCRACKEN COUNTY, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Office.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

## **SUPPLEMENTARY INFORMATION**

**McCRACKEN COUNTY, KENTUCKY**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	<b>Special Revenue Funds</b>			<b>Totals</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Juvenile Justice Fund</b>	<b>Federal Grant Fund</b>	<b>Local Government Economic Assistance Fund</b>		<b>Transient Room Holding Fund</b>	
<b><u>ASSETS</u></b>						
Cash in bank	\$ -	\$176,886	\$ 683	\$177,569	\$54,888	\$232,457
Accounts receivable	-	228,599	-	228,599	-	228,599
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$405,485</b>	<b>\$ 683</b>	<b>\$406,168</b>	<b>\$54,888</b>	<b>\$461,056</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b>Liabilities:</b>						
Accounts payable	\$ 31,296	\$ -	\$ -	\$ 31,296	\$ -	\$ 31,296
Deferred revenue	-	29,454	-	29,454	-	29,454
Due to other funds	-	376,022	-	376,022	-	376,022
<b>Total liabilities</b>	<b>31,296</b>	<b>405,476</b>	<b>-</b>	<b>436,772</b>	<b>-</b>	<b>436,772</b>
<b>Fund Balances:</b>						
Reserved for:						
Debt service	-	-	-	-	54,888	54,888
Other purposes	(31,296)	9	683	(30,604)	-	(30,604)
<b>Total fund balances</b>	<b>(31,296)</b>	<b>9</b>	<b>683</b>	<b>(30,604)</b>	<b>54,888</b>	<b>24,284</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$405,485</b>	<b>\$ 683</b>	<b>\$406,168</b>	<b>\$54,888</b>	<b>\$461,056</b>

See auditor's report on pages 1-2.



**McCRACKEN COUNTY, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Special Revenue Funds</b>				<b>Debt Service Fund</b>	
			<b>Local Government Economic Assistance Fund</b>		<b>Transient Room Holding Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>	<b>Juvenile Justice Fund</b>	<b>Federal Grant Fund</b>		<b>Total</b>		
Intergovernmental	\$ -	\$240,189	\$ 3,505	\$243,694	\$ -	\$ 243,694
Miscellaneous	-	-	-	-	631,369	631,369
Total revenues	-	240,189	3,505	243,694	631,369	875,063
<b>Expenditures:</b>						
Current:						
Public safety	148,281	218,367	-	366,648	-	366,648
Social services	-	21,822	-	21,822	309,267	331,089
Debt service:						
Principal	-	-	-	-	130,000	130,000
Interest and other charges	-	-	-	-	192,250	192,250
Total expenditures	148,281	240,189	-	388,470	631,517	1,019,987
Revenues over (under) expenditures before other financing sources (uses)	(148,281)	-	3,505	(144,776)	(148)	(144,924)
<b>Other Financing Sources (Uses):</b>						
Operating transfers in	130,463	283,715	-	414,178	-	414,178
Operating transfers out	-	(283,706)	(2,822)	(286,528)	-	(286,528)
Total other financing sources (uses)	130,463	9	(2,822)	127,650	-	127,650
Net change in fund balances	(17,818)	9	683	(17,126)	(148)	(17,274)
Fund balances, July 1, 2006	(13,478)	-	-	(13,478)	55,036	41,558
FUND BALANCES, JUNE 30, 2007	<u>\$ (31,296)</u>	<u>\$ 9</u>	<u>\$ 683</u>	<u>\$ (30,604)</u>	<u>\$ 54,888</u>	<u>\$ 24,284</u>

See auditor's report on pages 1-2.

WILLIAMS, WILLIAMS & LENTZ, LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
601 JEFFERSON  
PADUCAH, KENTUCKY 42001

J. RICHARD WALKER  
JERRY G. SEVERNS  
ROBERT R. ROBERTSON  
C. SUZETTE CRONCH  
MICHAEL F. KARNES  
MARK A. THOMAS  
ROGER G. HARRIS  
J. DAVID BAILEY, III

G. LEON WILLIAMS, 1926-2004  
H. WILLIAM LENTZ, 1925-2007

MAILING ADDRESS  
POST OFFICE BOX 2500  
PADUCAH, KY 42002-2500

TELEPHONE  
270-443-3643

FAX  
270-444-0652

WEBSITE  
www.lcpa.com

**Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On  
An Audit Of Financial Statements Performed In  
Accordance With *Government Auditing Standards***

Honorable Van Elliott Newberry,  
McCracken County Judge/Executive  
Members of McCracken County  
Fiscal Court  
McCracken County, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McCracken County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise McCracken County, Kentucky's basic financial statements and have issued our report thereon dated August 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered McCracken County, Kentucky's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McCracken County, Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of McCracken County, Kentucky's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects McCracken County, Kentucky's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of McCracken County, Kentucky's financial statements that is more than inconsequential will not be prevented or detected by McCracken County, Kentucky's internal control.

We consider certain deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting. The deficiencies are listed as items 2007-1 and 2007-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by McCracken County, Kentucky's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

We consider the significant deficiencies described in the accompanying Schedule of Findings to be a material weaknesses in internal control over financial reporting. The deficiencies are listed as items 2007-3 and 2007-4.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether McCracken County, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as item 2007-5.

The McCracken County Judge/Executive's responses to the findings identified in our audit are included in the accompanying Schedule of Findings. We did not audit the County Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Williams, William J. Lantz, CPA". The signature is written in a cursive, flowing style.

December 3, 2007

**McCRACKEN COUNTY, KENTUCKY**  
**SCHEDULE OF FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Significant Deficiencies**

- 2007-1**    Segregation of Duties - The Treasurer performs several financial reporting activities for the County and, as a result, the County does not have adequate segregation of duties. The Treasurer posts transactions to the general ledger, has check signing authority, makes deposits, and reconciles the bank account monthly. At a minimum, someone independent of the cash receipts and disbursements process without general ledger access should open and review the bank statement before it is provided to the Treasurer, and should also review the reconciliations prepared by the Treasurer. Finally, deposits should be taken to the bank by someone who does not have access to the general ledger and is independent of the bank reconciliation preparation and review process.

*Management's Response:* The financial reporting activities listed above are specified duties of the County Treasurer as set out in KRS 68.210, 68.020, 68.300, 68.360 and 68.480. In light of more stringent auditing standards, established by *Statements on Auditing Standards* #112, Williams, Williams & Lentz, LLP has determined that performance of all these activities by the County Treasurer may result in an undetected misstatement. Therefore, the aforementioned recommendations are being implemented to improve the County's segregation of duties.

- 2007-2**    Disbursements - In our testing of disbursements, it was noted that invoices were paid without written approval from the respective department supervisor. The County's policies require supervisors to provide written approval on the invoice or purchase order before it can be paid by the Finance Office. It is our recommendation that the County designate an individual or group of individuals, separate from the disbursement process, to examine disbursements and their supporting documentation, prior to submission to the vendors, for proper approval from the department and the legitimacy of the purchase.

*Management's Response:* All future invoices turned in for payment from the Jail, Road, and Sheriff, which are not signed off by the supervisor or elected official of such office will be returned for verification.

**Material Weaknesses**

- 2007-3**    Grants - In our testing of the state and federal grant funds, it was noted that some grant revenues earned in fiscal year 2006 had not been requested from the granting agency as of June 30, 2007. It is our understanding that the Treasurer is responsible for tracking all grant activity for both physical performance and financial reporting. We recommend that in addition to the Treasurer, a second person be cross-trained on the monitoring and reporting of grant activities. Accordingly, in the absence of the Treasurer, the grant activities of the County can continue to be performed.

*Management's Response:* The practice of tracking grants in the Finance Office was updated beginning July, 2007; currently all grants are listed on a spreadsheet and all corresponding paperwork is attached. Both the Treasurer and Finance Officer are continually monitoring this information, so that in the absence of one the grant reporting is kept current.

- 2007-4**    Financial Reporting - As part of preparing your audited financial statements, we made journal entries to adjust the County's cash basis trial balance to full accrual for the Government Wide Statement of Net Assets and Statement of Activities. Additionally, we made journal entries to adjust the County's cash basis trial balance to modified accrual for the Governmental Fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance. We made line item adjustments to the actual balances on the Budgetary Comparison Schedules for misclassified cash basis activity. We also prepared the Statement of Cash Flows for the Proprietary Fund, and all note disclosures that accompany the audited financial statements.

(Continued)

**McCRACKEN COUNTY, KENTUCKY**  
**SCHEDULE OF FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Without the performance of these previously mentioned activities, we could not have issued an unqualified opinion on the County's financial statements. As a result, we are required to report them to you as material weaknesses in the County's year end financial reporting process. We recommend that the accounting software be enhanced and that a qualified employee be trained to use the software. This same person should be versed in applicable accounting principles and reporting requirements so that they can prepare the County's annual financial statements. For many county and city governments, finding a qualified employee to handle this process is too costly and time consuming. If the County determines this recommendation is not viable, we recommend that the County hire a qualified public accounting firm, separate from the firm hired to perform the audit, to act on a consultant basis and perform the steps previously mentioned, as well as any others needed to allow an independent public accounting firm to render an unqualified opinion on the County's financial statements.

*Management's Response:* Due to conflicts between *Governmental Accounting Standards* and the Kentucky Revised Statutes, the County has historically maintained its accounting records on a cash basis, as required by Kentucky Revised Statutes, and any adjustments required to convert the cash basis records to those required by *Governmental Accounting Standards* have been generated by the County auditor. However, more stringent auditing standards, established by *Statements on Auditing Standards* #112, no longer allow for such conversion by the County's auditor. The Governor's Office for Local Development is developing software to aid in the conversion process. The Counties current software vendor is also developing accounting software to assist in conversion of the cash basis records to those required by *Governmental Accounting Standards*.

**Noncompliance**

- 2007-5** The former County Judge/Executive, upon completion of his term in office, was provided additional compensation for unused annual leave time while in office. As described by the office of the Kentucky Attorney General in OAG 88-7, "Constitutional Officers are not entitled to vacation pay over and above their base salary." As an elected official, a County Judge/Executive receives compensation for serving his/her term in office regardless of the amount of hours he/she spends in performing that service. The statutory provisions of such office do not authorize additional compensation for annual leave or compensatory time. Due to this overpayment, we recommend that the Fiscal Court pursue collection of approximately \$13,750 from the previous County Judge/Executive.

*Management's Response:* As of April, 2008 the former County Judge/Executive has repaid the balance to the County.

Appendix A

CERTIFICATION OF COMPLIANCE –  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND PROGRAMS

MCCRACKEN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2007


CERTIFICATION OF COMPLIANCE –  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND PROGRAMS

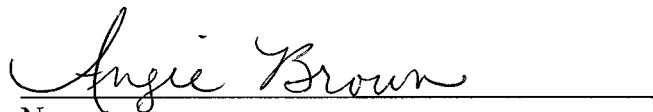
MCCRACKEN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2007

Appendix A

The McCracken County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Name  
County Judge/Executive

  
\_\_\_\_\_  
Name  
County Treasurer